



**REPORT ON EXAMINATION AS TO THE CONDITION OF
RIDER INSURANCE COMPANY
SPRINGFIELD, NEW JERSEY 07081**

AT DECEMBER 31, 2008

**NAIC COMPANY CODE 34509
NAIC GROUP CODE 0000**

FILED

February 9, 2010

Commissioner
Department of Banking & Insurance

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
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JON S. CORZINE
Governor

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Neil N. Jasey
Commissioner

January 12, 2010

Honorable Neil N. Jasey
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the provisions of **N.J.S.A. 17:23-22**, a financial examination has been made of the assets and liabilities, methods of conducting business and all other affairs of the:

RIDER INSURANCE COMPANY
120 MOUNTAIN AVENUE
SPRINGFIELD, NJ 07081
N.A.I.C. COMPANY CODE 34509

a property and liability insurance organization authorized to transact business in the State of New Jersey, and hereinafter referred to as "RIC," "Rider" or "Company."

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance ("NJDOBI" or "Department") pursuant to the authority granted by **Section 17:23-22** of the New Jersey Statutes Annotated ("N.J.S.A.") Revised Statutes and was conducted at the Company's home office located at 120 Mountain Avenue, Springfield, NJ 07081. The examination covered the three-year period from December 31, 2005, the date of the last examination, through December 31, 2008, and included material transactions and/or events occurring subsequent to the examination date. During this three-year period, the Company's assets increased from \$39,676,650 to \$41,358,154, liabilities decreased from \$21,191,841 to \$21,001,843 and surplus as regards to policyholders increased from \$18,484,809 to \$20,356,132.

The conduct of the examination was governed by the procedures outlined in the N.A.I.C. Financial Condition Handbook and followed accepted procedures of regulatory authorities and generally accepted insurance company examination standards. In determining the emphasis to be placed on specific accounts, consideration was given to the Company's system of internal control, the nature and size of each account, its relative importance to solvency, the results of the last financial condition examination and to the Company's IRIS test results.

In the verification of matters as shown in this report, limited test checks were made, some complete and others partial. Consideration was allowed for limiting the verification on certain accounts at a point where they were determined to be substantially correct or the account under review was considered insignificant and not crucial to the Company's solvency.

Accounts requiring standard emphasis were:

- Bonds, Common and Preferred Stocks
- Cash and Short-Term Investments
- Investment Income Due and Accrued
- Agents' Balances or Uncollected Premiums
- Federal and Foreign Income Tax Recoverable
- Net deferred Tax Asset
- Aggregate Write-Ins
- Losses and Loss Adjustment Expenses
- Current Federal and Foreign Income Taxes
- Unearned Premiums
- Contingent Commissions
- Other Expenses
- Ceded Reinsurance

All other balance sheet accounts were determined to require either reduced emphasis and or were determined to require analytical review procedures only. Additional areas reviewed during this examination were as follows:

- History and Kind of Business
- Territory and Plan of Operation
- Reinsurance
- Management and Control
- Fidelity Bond and Other Insurance Coverage
- Policy on Conflict of Interest
- Parent, Subsidiaries and Affiliates
- Inter-company Agreements
- Accounts and Records
- Audited Financials

Advertising and Sales Material
Treatment of Policyholders
Continuity of Operations
Statutory Deposits

The examination report, contained herein, will address significant balance sheet accounts and, if necessary, comments on those accounts, which involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

The following is a summary of the Company's response to the recommendations of the previous examination report dated as of December 31, 2005:

Custodial Agreements.

It was again recommended, as was recommended in the last two exams, that the Company enter into a custodial agreement with a qualified New Jersey banking institution(s) and that the agreement contain provisions that would meet the specific requirements of Section IV, paragraph H (1) & (2) of the NAIC Financial Condition Handbook to cover satisfactory indemnification, safeguard and controls.

The Company Complied with this recommendation.

Classification of Exam and Audit Fees.

It was again recommended that the Company report the accrual of examination fees (to include directors' fees and external auditors' fees) under the annual statement line item '*Taxes, Licenses and Fees*' and not under '*Other Expenses*.'

The Company did not comply with this recommendation.

Corporate Records

It was recommended that all bonuses and other specific payments be submitted by the Auditing, Nominating and Compensation Committee instead of the Board.

The Company complied with this recommendation.

Disaster Recovery Plan

It was recommended the Company complete a formal Business Continuity Plan subject to a process of periodic testing and documentation.

The Company complied and completed a disaster recovery plan. The Company did not comply with the testing of the plan.

Bonds and Common Stocks

It was recommended that the Company submit all newly purchased securities to the SVO in accordance with the requirements of Part Four-Section 1 of the NAIC Purposes and Procedures Manual.

The Company Complied with this recommendation.

Cash on Hand and on Deposit

It was recommended that the Company classify and report money market funds in accordance with the

guidelines and conventions developed in the NAIC Purposes and Procedures Manual (P&P Manual) and annual statement instructions, compliant with **SSAP No. 2**, paragraph 11.

The Company did comply with this recommendation.

COMPANY HISTORY

The Rider Insurance Company was incorporated on May 25, 1977 under the laws of the State of New Jersey and began business on June 3, 1977. The Certificate of Incorporation was filed with the New Jersey Department of Insurance on May 25, 1977. Initial capital of \$300,000 was raised to the present level of \$1,200,000 divided into 120,000 shares of ten dollars (\$10) each by amending the Certificate of Incorporation on November 30, 1994, which was filed with the Department on December 22, 1994.

By an amendment to the Certificate of Incorporation dated November 30, 1994, and filed with the Department on December 22, 1994, the total authorized capital stock of the Company was increased to \$1,200,000 in addition to which the Company shall have a paid in and contributed surplus of \$150,000. The total number of authorized shares of common stock of the Company is 120,000 shares with a par value of ten dollars (\$10) per share. A capital increase examination was performed on June 30, 1995.

The Certificate of Authority dated June 3, 1977, permits the Company to transact the kinds of insurance specified in paragraphs "b" and "e" of the New Jersey Revised Statute 17:17:1. Authority under paragraph "e" to write worker's compensation and employer's liability is specifically excluded.

By a second amendment to the Certificate of Incorporation dated May 7, 2002, and filed with the Department, the Company decided to move their principal office of business from 1360 Morris Avenue, Union, New Jersey 07083 to the present location of 120 Mountain Avenue, Springfield, New Jersey 07081.

By an amendment to the Certificate of Incorporation dated May 17, 2007 and filed with the New Jersey Department of Insurance on August 3, 2007, the total authorized capital stock of the Company is \$1,200,000 in addition to which the Company shall have a paid in surplus of \$1,150,000. The total number of authorized shares of common stock of the Company is 240,000 shares with a par value of \$5.00 per share.

The agent upon whom process may be served is Charles Lally, President.

MANAGEMENT & CONTROL

Board of Directors

As of December 31, 2008, the following five directors were serving on the Board of Directors:

Harry R. Bleiwise: Chairman (director since 1977)
19277 Natures View Court
Boca Raton, FL 33498

Charles D. Bleiwise: Vice President (director since 1986)
19133 Stream Side Court
Boca Raton, FL 33498

Susan D. Bleiwise-Greenfield: Treasurer (director since 1991)
19277 Natures View Court
Boca Raton, FL 33498

Jerold Goldberg: Director (since 1996)
Self-Employed Consultant
47 Roosevelt Street
Roseland, NJ 07068

Elliot Abrutyn, Esq.: Director (since 1996)
Morgan, Melhuish, Monaghan, Arvidson, Abrutyn and Lisowski
16 Breton Drive
Pine Brook, NJ 07058

Committees

The Company's current By-laws stipulate that "the Board of Directors shall establish one committee known as the auditing, nominating and compensation committee. The committee shall be responsible for recommending the selection of an independent certified public accountant, reviewing the insurer's financial condition, the scope and results of independent audit and any internal audit, nominating candidates for director for election by shareholders, evaluating the performance of officers deemed to be principal officers of the insurer, and recommending to the Board of Directors the selection and compensation, including bonuses or other specific payments, of the principal officers."

At December 31, 2008, the Company had one (1) committee, namely the Audit, Nominating and Compensation Committee, consisting of two members, Elliot Abrutyn, Esq. an outside Director since 1996 and Jerold Goldberg, an outside director. The Company does not have any other committees.

It was noted that the Company's audit committee was comprised of all outside directors in accordance with **N.J.S.A. 17:27A-4d (4)**.

Officers

The elected officers of the Company serving at December 31, 2008, were as follows:

<u>Name</u>	<u>Office</u>
Harry R. Bleiwise	Chairman
Charles E. Lally	President
Charles D. Bleiwise	Vice President
Susan Greenfield	Treasurer
Luaren Belfiore	Secretary

The President of the Company shall be deemed Chief Executive Officer and shall maintain the general powers and duties of management usually vested in the office of the President. The Treasurer shall have the custody of the funds and securities of the Company and shall keep the regular books of account for the Company. The Secretary shall cause notices of all meetings to be served as prescribed in the Company's By-laws and shall keep the minutes of all meetings of the shareholders and the Board.

The Board of Directors location for all correspondence and meetings is the RIC home office, 120 Mountain Avenue, Springfield, NJ 07081.

Corporate Records

A review of the minutes of the Board of Directors indicated that transactions and events of the Company operations overall are adequately reviewed, approved and supported.

Policy on Conflicts Of Interest

The Company maintains a questionnaire regarding conflict of interest in which the officers and directors are required to disclose any possible conflict. This questionnaire is to be completed annually. Rider Insurance Company does have a formal policy to complete conflict of interest questionnaires. Upon review of the conflict of interest questionnaire for the year 2008, it was determined that the Company did not have any reported conflict of interest.

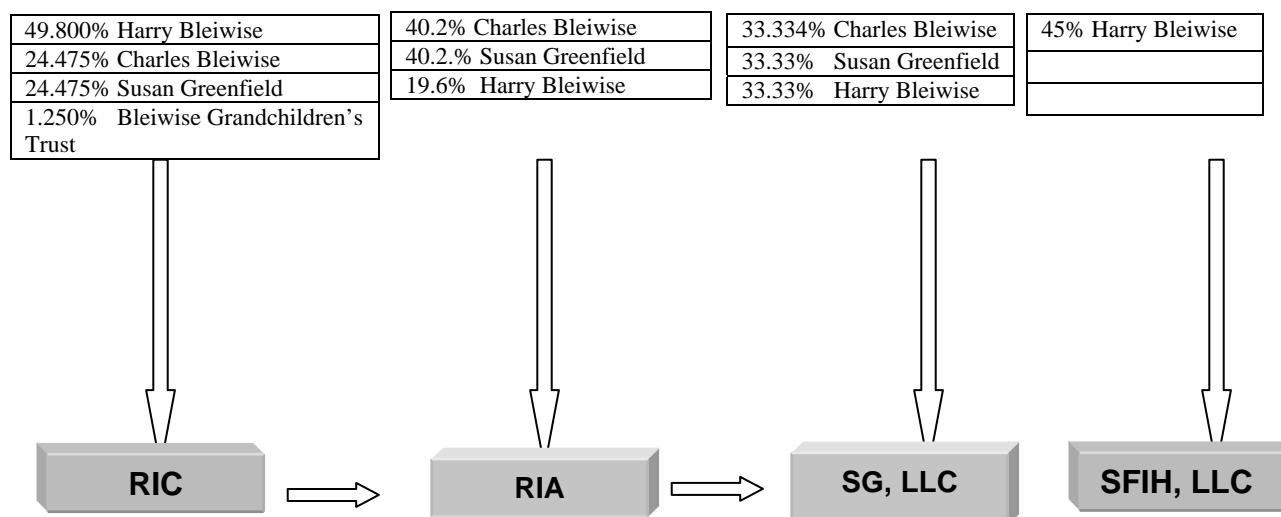
Dividends to Stockholders

Dividends cannot be paid by State of New Jersey insurance companies to shareholders without prior approval of the Insurance Commissioner and are subject to restrictions (currently 10% of surplus). Within this stated limitation, there are no restrictions placed on the portion of the Company's net income that may be paid as ordinary dividends to stockholders. During the year ended December 31, 2008, the company paid approved dividends to shareholders of \$800,000.

HOLDING COMPANY SYSTEM

Affiliated Companies

As of December 31, 2008, the Company was a member of an Insurance Holding Company System in accordance with **N.J.S.A. 17:27A-1**. An organizational chart of this system follows:



Mr. Charles Bleiwise and Ms. Susan Greenfield are the children of Mr. Harry Bleiwise.

A review of the holding company filings were made for the period under examination identifying the Company as registrant to the requirements and standards under **N.J.S.A. 17:27A-3**.

It was noted that two of the Company's affiliates, Security First Insurance Holdings, LLC. (SFIH, LLC) and the Superior Group, LLC. (SG, LLC) were not disclosed in the Company's Annual Statement Schedule Y Part 1 - Organizational Chart.

It is recommended the Company disclose all of its affiliates in the Annual Statement Schedule Y Part 1 Organizational Chart in accordance with the NAIC Annual Statement Instructions governing members of a holding company system and a controlled group.

It was also noted that two of the Company's affiliates, Security First Insurance Holdings, LLC. and the Superior Group, LLC. were not disclosed in Item #2 of the Company's Form B Insurance Holding Company System Annual Registration Statement.

It is recommended that the Company disclose its affiliates in Item #2 of the Company's Form B Insurance Holding Company System Annual Registration Statement in accordance with **N.J.S.A 17: 27A-3b (2)**.

Inter-Company Agreements

Agency Agreement

Rider Insurance Company has entered into an Agency Agreement with Rider Insurance Agency, Inc. (RIA), its sole agent and an affiliate of the Company. The agreement authorizes the agent to: "solicit and submit applications; issue and deliver policies, certificates, endorsements and binders; to collect and receipt for, hold as fiduciary and pay over to Company, in accordance with procedure. As full compensation for services, the Company will pay RIA a commission of twenty percent (20%) on premiums reported and paid to the Company on business written by Agent.

The Agreement was amended and filed subsequent to year-end, which clarified an inconsistency with regard to the specific formula utilized to calculate the bonus commission payment by RIC to RIA.

Lease Agreement

The Company leases its office facility from The Superior Group, LLC. an affiliate of the Company. The lease agreement is for a period of 5 years ending on August 2011.

Loan Agreement

By a promissory note dated May 11, 2007, the Company loaned \$1,000,000 to Security First Insurance Holdings, LLC. an affiliate of Rider Insurance Company. The loan is unsecured, subordinated, and carries a prepayment penalty. The loan bears interest at prime plus 4.5% (currently 11.75%), and is payable in equal monthly installments of \$15,000 through June 15, 2017.

EMPLOYEE WELFARE INSURANCE AND PENSION PLANS

The benefits an employee may be entitled to are:

- Group Health Benefits (Medical, Dental and Prescription Plans)
- Group Life Insurance
- Disability Insurance
- Flexible Spending Accounts
- 401K and Profit Sharing Plans

The Company sponsors group medical, prescription and dental plans. Rider will contribute up to two-hundred dollars (\$200) of the total monthly premium for any eligible employee who joins these plans.

The 401K and Profit Sharing Plans are non-contributory as to the employee. An employee is eligible for the pension and profit sharing plans if 1,000 hours are worked in the RIA fiscal plan year. Contributions are not made to the employees account until the second year. However, if the employee leaves before two years of service are completed, the employee forfeits the contributions made by the Company. The employee is zero percent (0%) vested if less than two years of service are worked.

The schedule of vestment is:

<u>Years of Service</u>	<u>Percentage vested</u>
Less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 years	100%

The total contribution to both plans cannot exceed 15% of an employee's earned pay for the fiscal year, and is contingent upon whether or not any profit is made by RIA in the fiscal year.

STATUTORY DEPOSITS

As of December 31, 2008, the Company maintains a statutory deposit in the amount of \$379,124 with the Commissioner Of Banking and Insurance of the State of New Jersey for the benefit of the policyholders of Rider Insurance Company.

INSURANCE PRODUCTS AND RELATED SERVICES

Territory and Plan of Operation

The Company is licensed to transact bodily injury and property damage liability for motorcycles, motorized bicycles and mini-bikes, within the confines of New Jersey, with various limits per occurrence and per policy. Underwriting facilities provide for the issuance of auto liability and auto physical damage coverages. All policies, renewals, cancellations and endorsements are processed in-house.

Rider Insurance Agency, Inc., as the Company's sole agent and affiliate, markets the business for Rider through an Agency Agreement, dated October 20, 2005. The Company relies on RIA for printed advertisements via motorcycle newsletters. In addition, RIC maintains a website.

Attorneys manage legal matters on an individual case basis. The Company performs its own accounting and financial preparation and reporting. However, other services related to premium data are out sourced. Rider uses an outside data processing firm for computer hardware, software and maintenance support.

Policy Forms and Underwriting Practices

An applicant must be a New Jersey resident and must be the owner of the motorcycle being insured. No New York or international licenses are permitted. The Company offers twelve-month policies based on different age groups. Coverage is provided for the following three motorcycle categories: Regular, Sport and Other. Premiums are based on twelve-month policies and on the type of motorcycle, category, and coverage type. Any motorcycle with 100 miles or over is to be inspected.

Limits of Liability

The maximum insurance limit (physical or theft) is \$30,000. Any amount exceeding the limit will require the customer to sign an agreement letter.

The minimum insurance requirements are:

\$15,000 - bodily injury (each person)

\$30,000 - each accident

\$5,000 - property damage

Minimum reserves for such policies will be \$1,500:

\$100,000 - bodily injury (each person)

\$300,000 - each accident

\$25,000 - property damage.

Minimum reserves for such policies will be considered accordingly. The Company will reserve \$4,000 for a collision of a motorcycle with a CC of 749 or less and \$5,000 for a motorcycle of 750 or higher

Payment schedule

Paid in full with the application or half (1/2) down and the remaining in three equal installments (only on a twelve month policy) with a five dollar (\$5) service charge.

Discounts

The Company offers a ten percent (10%) discount to multiple bikes on the same policy, twenty-five percent (25%) discount to the applicant who is thirty-five (35) and over, married with a clean record and ten percent (10%) discount whoever transfers his/her business to Rider from a New Jersey company.

Required Documents

The applicant must have a validated NJ motorcycle license, permit or prior proof. The Company allows prior accident/s and tickets within the last three years depending upon the age group. Changes to the policy are made without any charge.

Adding an additional operator is permitted and deletion has to be in writing. The effective date of the policy will not be changed once a policy has started. Cancellations are pro-rated and given twenty days before cancellation. Except for the total loss and claims requiring field investigation, all claims checks will be issued in twenty-four hours. If the damages exceed \$2,000 and no police report was filed, a field investigation will be conducted.

Advertising and Sales Material

The review of the advertisements indicated that the Company is in compliance with **N.J.S.A. 17:18-10**, which requires a company that is advertising its assets to also advertise liabilities in an equally conspicuous manner.

Treatment of Policyholders

A review of the Company's complaint log indicated that the Company maintains its complaint log in accordance with **N.J.S.A. 17:29B-4(10)**.

FIDELITY BOND AND OTHER INSURANCE COVERAGE

Rider is covered by a fidelity bond insuring forgery or alteration, securities and computer system for a single loss limit of \$1,000,000 subject to a \$25,000 deductible. This fidelity coverage is deemed adequate to satisfy the minimum amounts of fidelity insurance coverage as suggested by the National Association of Insurance Commissioners (NAIC) exposure index.

The Company also maintains additional insurance coverages for the protection of its assets as noted in the following outline, which shows the types and amounts of coverage that, were in force at December 31, 2008:

Type of Coverage

Amount of Limits

Financial Institution Bond

\$1,000,000 (fidelity)

\$1,000,000 (forgery or alteration)

	\$1,000,000 (securities)
	\$1,000,000 (computer system)
	\$ 25,000 (single loss deductible)
Commercial Crime Liability	\$ 500,000 (employee dishonesty)
Workers' Compensation and Employers' Liability Insurance	\$1,000,000 (each accident) \$1,000,000 (disease - each policy/each employee)
Commercial Property Liability (Building 1)	\$2,000,000 (contents) \$ 500,000 (business income) \$ 1,000 (deductible) \$ 5,000 (medical expense - any one person) \$ 100,000 (fire damage, any one fire)
Commercial General Liability	\$2,000,000 (general aggregate) \$2,000,000 (products & completed operations - aggregate) \$1,000,000 (personal & advertising injury) \$ 5,000 (medical expense - any one person) \$ 100,000 (fire damage, any one fire)
Commercial Inland Marine Liability	\$ 150,000 (edp - software/valuable papers) \$ 10,000 (accounts receivable) \$ 1,000 (deductible)
Commercial Automobile Liability	\$1,000,000 (any one accident or loss)
Employment Liability	\$1,000,000 (each policy year/each loss) \$ 100,000 (deductible)
Directors, Officers, & Fiduciary Liability	\$1,000,000 (each policy year/each loss) \$ 75,000 (deductible)
Insurance Services Professional Liability	\$1,000,000 (each policy year/each loss) \$ 250,000 (deductible)
Certified Acts of Terrorism Coverage	Any covered losses caused by "Certified Acts of Terrorism" will be partially reimbursed by the United States under a formula established by federal law.

REINSURANCE AND RETENTION

The Company has reinsurance agreements and treaties in force at December 31, 2008, providing excess of loss and aggregate stop loss for their two lines of business written, which were private passenger auto liability and auto physical damage lines. The reinsurance treaties and contracts in effect and the maximum limits of reinsurance are summarized as follows:

Excess of Loss Agreement

Issued by Swiss Reinsurance America Corporation effective January 1, 2008 until termination by mutual

consent or either party's notice by mail no less than 90 days prior to termination date chosen. Rider must not issue policies with limits greater than \$250,000 per person \$500,000 each accident bodily injury liability limits, \$75,000 each accident property damage liability limits and \$40,000 physical damage coverage.

For each occurrence, Rider is liable for the first \$75,000 and the reinsurer is liable up to \$425,000. Rider should immediately report any claim involving one or more of the following:

- fatality
- paraplegia or more extensive paralysis
- severe brain injury or brain damage prognosis
- severe burns
- amputations of one or more limbs
- loss of sight or hearing to a substantial degree
- back injury where surgery has been performed or is recommended by the treating doctor
- severe laceration cases involving the face, arms or legs and leaving serious cosmetic deformity
- a claim for psychological injury for which there appears to be a reasonable basis
- multiple fractures or severe internal injuries with high residual permanent impairment
- any injury where there is, or appears probable, an alleged loss of earnings for one year or more

Contingent Commission – Reinsurer shall pay contingent commission equal to 30% of all of the net profit accruing calculated in 2-year periods as follows:

Credited to profits:

1. The amount of earned premium on reinsurance reported by Rider for the period.
2. All salvage received by the reinsurer.

Charged to profits:

1. The amount of losses and claim expenses paid by the reinsurer and outstanding.
2. A sum for home office expenses equal to 30% of Item 1 of credits to profits.
3. The deficit, if any, at the end of the previous accounting period.

Reinsurance premium - An advance annual deposit of \$993,000 is payable in quarterly installments of \$248,250. The full reinsurance premium is 3.31% of the net premium income (gross premiums less reinsurance premium paid) derived by Rider from the underlying insurance to which this agreement applies, subject to a minimum premium equal to 80% of the advance annual deposit reinsurance premium, whichever is the greater.

Aggregate Stop Loss Agreement:

Issued by Swiss Reinsurance America Corporation, is effective January 1, 2008 through any December 31, or as mutually agreed.

Coverage: Rider is liable for an aggregate loss of 67% of net earned premiums. The reinsurers are liable for the excess, but not greater than 20% of net earned premiums or \$7,200,000, whichever is lesser.

Reinsurance premium: Rider shall pay 4% of net earned premiums for the calendar year, net of excess premium, which inures to the aggregate coverage. A deposit of \$1,200,000 is due in equal quarterly installments of \$300,000 each.

A Review of the Agreement indicated that it did not transfer risk as required by SSAP No. 62 and the Company accounted for the agreement using the deposit accounting treatment as promulgated in SSAP No. 75. The Aggregate Stop Loss Agreement was terminated subsequent to year-end.

The Company does not assume any business.

ACCOUNTS AND RECORDS

The Company uses a premier accounting software as its general ledger system (i.e., QuickBooks), and a software called "Renaissance", which is maintained by Systems Task Group International Ltd. (STG), for its premium and loss system. Rider receives all premium receipts from its affiliate RIA, which are posted on a daily basis. Commissions are deducted when premiums are paid. Interest is recorded as a debit to cash account and credited to the applicable interest on a monthly basis.

The Company investigates all submitted claims and reports suspected fraudulent claims to the Department. All motorcycle physical damage and fire claims are inspected by an independent appraiser within twenty-four and forty-eight (24-48) hours of the report made. A proof of loss is mailed to the insured immediately upon receipt of the appraisal. The need for a proof of loss is waived if damages are less than \$2,000. All checks in payment of collision and fire losses are issued within twenty-four and forty-eight (24-48) hours of receipt of signed proof of loss by the policyholder. Theft claims are assigned to field investigators. For a third-party property damage claim, a driver's statement, witness form and a motorcycle owner's accident report form is mailed to respective parties once the coverage is verified. If the property damage exceeds \$2,000, a field investigation is made. Similarly, every bodily injury claim is assigned to a field investigator.

The Company sets, depending on the power of the motorcycle, a reserve of \$4,000, \$5,000, or \$6,500 for a first party claim. For a third-party property damage claim, a reserve of either \$1,500 or \$2,000 is set depending upon the situation. Arrangements for the appraisal is then made. For a third-party bodily injury claim, a minimal reserve of \$5,000 is set and for a soft tissue injury with representation of a counsel, the reserve would be \$7,500. It was not that the company's financial sheet

CONTINUITY OF OPERATIONS

The Company maintains a formal disaster recovery and business continuity plan to meet its needs in the event of a disaster and or catastrophe.

It was noted the Company's Business Continuity and Disaster Plan had not been tested.

It is recommended the Company simulate a disaster recovery test to identify and document essential deficiencies that might exist, which could potentially impede the process necessary to establish and restore either basic or critical systems and functions in a timely manner.

Current backup copies of programs, essential documents, records and files are stored in an off-premises location.

The Company maintains, as part of its By-laws, a provision for the succession of officers.

AUDITING AND INTERNAL CONTROL

Pursuant to **N.J.A.C. 11:2-26.4** an annual audit is performed by an independent certified public accounting firm and an audited CPA report was filed with the New Jersey Commissioner of Banking and Insurance.

FINANCIAL STATEMENTS

Financial statements and other exhibits are presented as listed below:

- Exhibit - A Statement of Assets, Liabilities, and Surplus Funds
at December 31, 2008**
- Exhibit - B Underwriting and Investment Exhibit
for the Three-Year Period ended December 31, 2008**
- Exhibit - C Capital and Surplus Account
for the Three-Year Period ended December 31, 2008**

EXHIBIT A

STATEMENT OF ASSETS, LIABILITIES AND UNASSIGNED FUNDS AT
DECEMBER 31, 2008

	Balance Per Examination <u>12-31-08</u>	Balance Per Company <u>12-31-08</u>	Examination <u>Change</u>	Note <u>No.</u>
<u>ASSETS</u>				
Bonds	\$ 25,030,413	\$ 25,030,413	0	1
Preferred Stocks	1,085,081	1,085,081	0	
Common Stocks	11,215,859	11,215,859	0	
Cash, Cash Equivalents and Short-term Investments	(838,835)	(838,835)	0	2
Other Invested Assets	885,963	885,963	0	
Investment Income Due and Accrued	333,228	333,228	0	
Premiums and Agents' Balances:				
Uncollected and In the Course of Collection	404,446	404,446	0	
Federal and Foreign Income Tax				
Recoverable and Interest Thereon	1,341,212	1,341,212	0	
Net Deferred Tax Asset	852,784	852,784	0	
Electronic Data Processing	77,825	77,825	0	
Receivables from Parent, Subsidiaries and Affiliates	40,381	40,381	0	
Aggregate Write-ins (other than invested assets)	<u>929,617</u>	<u>929,617</u>	0	3
Total Admitted Assets	<u>\$41,357,975</u>	<u>\$41,357,975</u>	<u>0</u>	
<u>LIABILITIES</u>				
Losses	\$ 6,910,770	\$ 6,910,770	0	4
Loss Adjustment Expenses	2,000,404	2,000,404	0	4
Commissions Payable, Contingent Commissions				
And Other Similar Charges	585,869	585,869	0	
Other Expenses (excl. taxes, licenses, and fees)	747,876	747,876	0	5
Taxes, Licenses and Fees	0	0	0	5
Unearned Premiums	11,110,965	11,110,965	0	
Ceded Reinsurance Premiums Payable	<u>(354,041)</u>	<u>(354,041)</u>	<u>0</u>	
Total Liabilities	<u>\$21,001,843</u>	<u>\$21,001,843</u>	<u>0</u>	
<u>EQUITY ACCOUNTS</u>				
Common Capital Stock	\$ 1,200,000	\$ 1,200,000	0	6
Gross Paid-in and Contributed Surplus	1,150,000	1,150,000	0	6
Unassigned Funds (Surplus)	<u>18,006,132</u>	<u>18,006,132</u>	0	6
Total Capital and Surplus	<u>\$ 20,356,132</u>	<u>\$ 20,356,132</u>	<u>0</u>	
Total Liabilities, Capital and Surplus	<u>\$41,357,975</u>	<u>\$41,357,975</u>	<u>0</u>	

EXHIBIT B**SUMMARY OF OPERATIONS FOR THE THREE YEARS ENDING DECEMBER 31, 2008**

<u>UNDERWRITING INCOME</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Premiums Earned	<u>\$28,471,294</u>	<u>\$27,089,481</u>	<u>\$25,909,075</u>
Deductions:			
Losses Incurred	8,416,653	11,044,995	9,844,843
Loss Expenses Incurred	2,698,197	3,379,539	3,484,725
Other Underwriting Expenses Incurred	<u>12,829,577</u>	<u>11,854,803</u>	<u>11,963,151</u>
Total Underwriting Deductions	23,944,427	26,279,337	25,292,719
Net Underwriting Gain or (Loss)	<u>\$4,526,867</u>	<u>\$810,144</u>	<u>\$616,356</u>
<u>INVESTMENT INCOME</u>			
Net Investment Income Earned	979,894	1,143,182	1,005,849
Net Realized Capital Gains/(Losses)	<u>311,547</u>	<u>2,388,998</u>	<u>(1,788,160)</u>
Net Investment Gain or (Loss)	<u>\$1,291,441</u>	<u>\$3,532,180</u>	<u>(\$782,311)</u>
<u>OTHER INCOME</u>			
Finance Charges	0	0	0
Aggregate Write-ins	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Dividends to Policyholders	0	0	0
Federal and Foreign Income Taxes Incurred	<u>1,799,833</u>	<u>1,176,936</u>	<u>(426,212)</u>
Net Income (Loss)	<u>\$4,018,475</u>	<u>\$3,165,388</u>	<u>\$260,257</u>

CAPITAL AND SURPLUS ACCOUNT FOR THE PERIOD ENDED**DECEMBER 31, 2008**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Surplus As Regards Policyholders,			
December 31, Prior Year	<u>\$18,484,809</u>	<u>\$23,382,621</u>	<u>\$23,059,354</u>
Net Income or (Losses)	4,018,475	3,165,388	260,256
Change in Net Unrealized Capital Gains or (Losses)	1,358,801	(2,315,562)	(490,830)
Change in Net Unrealized Foreign Exchange Capital			
Gains or (Losses)	0	0	0
Change in Net Deferred Income Tax	53,727	27,305	30,585
Change in Non-Admitted Assets	266,809	(400,398)	(1,703,236)
Dividends to Stockholders	(800,000)	(800,000)	(800,000)
Aggregate Write-ins for Gains/ (Losses)	<u>0</u>	<u>0</u>	<u>0</u>
Change in Surplus for the Year	<u>4,897,812</u>	<u>(323,267)</u>	<u>(2,703,225)</u>
Surplus as Regards Policyholders			
December 31, Current Year	<u>\$23,382,621</u>	<u>\$23,059,354</u>	<u>\$20,356,132</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS:

At December 31, 2008, the Company reported a total \$25,030,413 for the asset bonds, which consisted of, municipal and corporate bonds as well as a limited amount of certificates of deposit.

The Company has an investment in a limited partnership that invests primarily in equity securities that the Company could otherwise invest in directly. The limited partnership provides the Company with both management services and access to investments the Company cannot possess directly. The Company's aggregate investment in limited partnerships at December 31, 2008 was included in common stocks

It was noted that the Company reported the investments in a limited partnership on Schedule D of the annual statement and not on Schedule BA in accordance with the NAIC Annual Statement Instructions and in accordance with SSAP 48 paragraph 6 of the Accounting Practices and Procedures Manual, which require such investments in partnerships to be recorded as other invested assets and not as common stock. .

It is recommended that the Company report the investments in its limited partnership on Schedule BA of the Annual Statement in accordance with the NAIC Annual Statement Instructions and in accordance with SSAP 48 paragraph 6 of the Accounting Practices and Procedures Manual.

NOTE 2: CASH, CASH EQUIVELENTS AND SHORT-TERM INVESTMENTS

The Company reported a negative amount of (\$838,835) for cash, cash equivalents and short-term investments as at December 31, 2008.

It was noted that the Company did not maintain a formal policy and procedures for escheating abandoned property as well as escheating abandoned funds in accordance with N.J.S.A. 46:30B.

It is recommended that the Company procure a formal written policy and procedure for escheating unclaimed property in compliance with N.J.S.A. 46:30B.

NOTE 3: AGGREGATE WRITE-INS FOR OTHER THAN INVESTED ASSETS

At December 31, 2008, the Company reported an amount of \$929,796, which was primarily comprised of ceded reinsurance under deposit accounting.

Because one of the reinsurance agreements, maintained by the Company, did not formally transfer risk, as required by SSAP No. 62, the Company accounted for the agreement amounts using the deposit accounting treatment as promulgated in SSAP No. 75.

It was noted that the Company included a reinsurance recoverable amount of \$187,364 within this asset. This amount should have been reported on the Annual Statement line "Amounts Recoverable From Reinsurers."

It is recommended the Company report "Amounts Recoverable From Reinsurers". in accordance with the NAIC Annual Statement Instructions.

NOTE 4: LOSSES AND LOSS ADJUSTMENT EXPENSES

The loss reserve as reported by the Company at December 31, 2008 was \$6,910,770 and loss adjustment expenses totaled \$2,000,404. A review of this reserve by an actuary with the New Jersey Department of Banking and Insurance indicated the amount established by the Company was reasonable.

Data supplied to the actuaries was reconciled to the Company's annual statement and other supporting records without exception. Samples of outstanding reserves at December 31, 2008 as well as loss and loss adjustment expense payments made during 2008 were tested to individual claim files without material exception.

NOTE 5: OTHER EXPENSES

The Company established a liability in the amount of \$747,876 for Other Expenses for the period ending December 31, 2008.

It was noted that the Company accrued and included amounts related to Taxes, Licenses and Fees with Other Expenses.

It is recommended the Company report the accrual of the respective liabilities in accordance with the NAIC Annual Statement Instructions.

In addition, although not material, it was also noted that the Company did not accrue a liability for the examination costs.

It is recommended the Company accrue all liabilities in accordance with **SSAP No. 5**, of the NAIC Accounting Practices and Procedures Manual governing the establishment of liabilities and report same in accordance with the NAIC Annual Statement Instructions.

NOTE 6: SURPLUS AS REGARDS POLICYHOLDERS

The Company's Surplus as Regards Policyholders at December 31, 2008 was \$20,356,132 and was comprised of the following:

Common Capital Stock	\$ 1,200,000
Gross Paid in and Contributed Surplus	1,150,000
Unassigned Funds	<u>18,006,132</u>
Surplus as Regards Policyholders	<u>\$20,356,132</u>

The outstanding stock of the Company at December 31, 2008 consisted of 240,000 shares of common stock with a par value of five dollars (\$5) per share for a total capital of \$1,200,000.

SUBSEQUENT EVENTS

The Company initiated a mock disaster recovery test of its IT systems and manual process subsequent to the examination. The results and conclusions thereof will be provided to the Department Of Banking and Insurance's Office of Solvency Regulation once completed. .

SUMMARY OF RECOMMENDATIONS:

HOLDING COMPANY SYSTEM: Page #6

It was noted that two of the Company's affiliates, Security First Insurance Holdings, LLC. (SFIH, LLC) and the Superior Group, LLC. (SG, LLC). were not disclosed in the Company's Annual Statement Schedule Y Part 1 - Organizational Chart.

It is recommended the Company disclose all of its affiliates in the Annual Statement Schedule Y Part 1 Organizational Chart in accordance with the NAIC Annual Statement Instructions governing members of a holding Company system and a controlled group.

It was noted that two of the Company's affiliates, Security First Insurance Holdings, LLC. and the Superior Group, LLC. were not disclosed in Item #2 of the Company's Form B Insurance Holding Company System Annual Registration Statement.

It is recommended that the Company disclose its affiliates in Item #2 of the Company's Form B Insurance Holding Company System Annual Registration Statement in accordance with N.J.S.A. 17: 27A-3b (2).

CONTINUITY OF OPERATIONS: Page 12

It was noted the Company's Business Continuity and Disaster Recovery Plan had not been tested.

It is recommended the Company simulate a disaster recovery test to identify and document essential deficiencies that might exist, which could potentially impede the process necessary to establish and restore either basic or critical systems and functions in a timely manner.

BONDS: Page #17

It was noted that the Company reported the investments in a limited partnership on Schedule D of the annual statement and not on Schedule BA in accordance with the NAIC Annual Statement Instructions Manual and in accordance with SSAP 48 paragraph 6 of the Accounting Practices and Procedures Manual, which require such investments in partnerships to be recorded as other invested assets and not as common stock. .

It is recommended that the Company report the investments in its limited partnership on Schedule BA of the Annual Statement in accordance with the NAIC Annual Statement Instructions and in accordance with SSAP 48 paragraph 6 of the Accounting Practices and Procedures Manual.

CASH, CASH EQUIVELENTS AND SHORT-TERM INVESTMENTS: Page #17

It was noted that the Company did not maintain a formal policy and procedures for escheating abandoned property as well as escheating abandoned funds in accordance with N.J.S.A. 46:30B.

It is recommended that the Company procure a formal written policy and procedure for escheating unclaimed property in compliance with N.J.S.A. 46:30B.

AGGREGATE WRITE-INS FOR OTHER THAN INVESTED ASSETS: Page #17

It was noted that the Company included a reinsurance recoverable amount of \$187,364 within this asset. This amount should have been reported on the Annual Statement line "Amounts Recoverable From Reinsurers."

It is recommended the Company report "Amounts Recoverable From Reinsurers". in accordance with the NAIC Annual Statement Instructions.

OTHER EXPENSES: Page #18

It was noted that the Company accrued and included amounts related to Taxes, Licenses and Fees with other expenses.

It is recommended the Company report the accrual of respective liabilities in accordance with the NAIC Annual Statement Instructions.

In addition, although not material, it was also noted that the Company did not accrue an examination fee liability.

It is recommended the Company accrue all liabilities in accordance with **SSAP No. 5**, of the NAIC Accounting Practices and Procedures Manual governing the establishment of liabilities and report same in accordance with the NAIC Annual Statement Instructions.

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES-STATEMENT BY NJDOBI ACTUARY

Rider Insurance Company

I, Boris Privman, FCAS, MAAA, Managing Property and Casualty Actuary for the New Jersey Department of Banking and Insurance, have performed an actuarial review of the reported December 31, 2008 loss and loss adjustment expense reserves for the Rider Insurance Company. Based upon this review the Company's booked gross and net loss reserves should be accepted without adjustments.

Actuarial findings as stated above and in this examination report are the sole responsibility of the New Jersey Department of Banking and Insurance's Property and Casualty Actuarial Unit of the Office of Solvency Regulation..

/S/
Boris Privman-Managing Actuary

CONCLUSION

The statutory financial condition examination was conducted by the undersigned with the support of the New Jersey Department of Banking and Insurance field and office staff, at the Company's home office located at 120 Mountain Avenue, Springfield, New Jersey 07081.

The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully submitted,

/S/

Joseph Samsel, CFE
Examiner-in-Charge
Department of Banking & Insurance
State of New Jersey

RIDER INSURANCE COMPANY

I, Joseph Samsel, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2008, to the best of my information, knowledge, and belief.

Respectfully submitted,

/S/

Joseph Samsel, CFE
Supervising Insurance Examiner
Department of Banking & Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Joseph Samsel, on this 21st day of January, 2010.

/S/

Sheila M. Tkacs
Notary Public of New Jersey

My commission expires: July 2010